


The Harriman Institute Forum

**Volume 5, Number 2
October 1991**

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October, 1991

GLASNOST' AND PERESTROIKA IN SOVIET-THIRD WORLD ECONOMIC RELATIONS

Elizabeth Kridl Valkenier

The thrust of the post-1985 restructuring of Soviet economic relations with the Third World is clear. In response to the domestic economic crisis, and taking advantage of the reduced strategic competition with the West, Moscow has tried to ease the burden of supporting radical regimes and to expand normal commercial ties with the more stable and prosperous states. The so-called new thinking rejects basing economic relations with the developing countries on political criteria, which is in keeping with the campaign to de-ideologize Soviet international behavior and the market-type economic reforms at home.

A new era is in the making, but its shape as of yet does not have a clear outline: the future structure of the USSR is uncertain, and basic economic reforms are creeping along a tortuous course. Furthermore, no matter how pragmatically conceived, aid and trade policies cannot be divorced from state interests: the decisions on whom to cut off and for what reasons, whom to sustain and on what terms, express foreign policy priorities. And, finally, what does "de-ideologizing" mean in practical terms? For example, until the failed anti-Gorbachev coup in August 1991, the Soviet regime was not willing

to terminate its costly military and economic support for Cuba. As a result of Castro's backing the losing side, the Gorbachev leadership has unilaterally announced the withdrawal of the Soviet garrison from Cuba, without, however, mentioning the future of the large Soviet electronic intelligence installations on the island.

Fortunately, the wide-ranging debates on how to redefine Soviet relations with the Third World provide insights into the alternatives proposed or taken. *Glasnost'* has permitted an unprecedented and extremely frank discussion of past mistakes, failures, and misconceptions, wherein several interest groups articulating widely different political outlooks have staked out their positions. These disagreements, in turn, put into sharp relief the degree to which the regime was willing and actually able to reform before August 1991. They also indicate likely courses of Soviet policy should one group or another come to prevail in whatever form the USSR, or the Russian Republic, continues.

This article covers the major changes in theory, institutions, and policies that have already occurred. It also examines the reordering of priorities



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advocated by different interest groupings, prior to the upheaval of August 1991.

Reforms in Theory

The recognition of global interdependence is the cornerstone of new Soviet economic thinking. The principle of an "integral world" launched by Gorbachev at the 26th CPSU Congress in 1986 laid to rest the theory of two separate (and competing) world markets. During Khrushchev's tenure, this theory legitimated various "socialist" aid and trade policies meant to promote the economic liberation of former colonies and to undercut the Western presence there. During the 1970s, it undergirded Brezhnev's drive to draw the developing states into a socialist international division of labor, the preferable alternative to the inequitable system obtaining in the capitalist market.

To be sure, by 1980 Soviet economists and functionaries began to acknowledge the existence of a single market operating over and above its socialist and capitalist components. However, the theory was narrowly applied, i.e., only to legitimate East-West trade. Gorbachev broadened the concept to include the South as well. He recognized the "growing tendency toward interdependence of the world," driven by objective economic forces that were creating a global marketplace through worldwide processes of interaction and interpenetration.¹

Two further changes in the traditional formulas licensed new thinking about the post-colonial world. The first related to imperialism, the second to development theory.

The new Party program, adopted at the 1986 Congress, dispensed with the expression "national liberation struggle," referring instead to the "liberated countries." The use of this particular formulation (I was told at the time by specialists who helped devise it), was meant to convey the end of anti-colonial strife and the advent of a new era, that of constructive nation- or state-building. Accordingly, Gorbachev, speaking at the Congress, did not call on the developing countries to resort to unilateral

steps against the West — on the debt issue, for example. Instead, he urged "cooperation on an equitable basis," which meant "fair" and presumably negotiated solutions.

This articulation of a more moderate stance on South-West relations allowed some experts to fill in the interstices and to argue outright that the traditional image of neo-colonialism, with its "primitive" account of center-periphery interaction, had failed to materialize. Given the fact of interdependence, an equitable partnership between the West and the developing countries could exist.²

The third theoretical change was in the development model. In Khrushchev's time, the Soviets advocated a "non-capitalist path," and placed it in the 1961 Party program. This basically Stalinist model, featuring state control of the economy, industrialization, and autarchy, was replaced during the 1970s by another model drawn from earlier Soviet experience, that of the New Economic Policy. This blueprint was meant to promote a mixed economy, wherein the private sector in agriculture, light industry and the services, plus foreign investment, would together supply the stimuli for growth absent in the state sector.

Under Gorbachev, the NEP model has been relegated to the background; increasingly the experience of the NICs (newly industrializing countries) is both studied and extolled as the example of successful and desirable development. Articles and books forthrightly acknowledge that countries which had adopted a socialist orientation experienced economic stagnation, political conflict and bureaucratic strangulation, while those which opted for capitalist methods attained high economic growth.³

Glasnost' Exposés

Before enumerating the reforms that have thus far been carried out, it is instructive to indicate what *glasnost'* has uncovered about the malfunctioning of Soviet aid and trade policies. Both the content and the growing boldness of these exposures are revealing.

- 1 Foreign Broadcast Information Service, *Daily Report: The Soviet Union*, FBIS-SOV-89-038, 26 February 1986, Part III, p. 9 [hereafter identified by code only].
- 2 N. Volkov, V. Popov, "Has an Era of Neo-Colonialism Materialized?" *International Affairs* (Moscow), No. 11, November 1988, pp. 107-117. See also P. Khvoirnik, "Imperializm: termin i sodержanie," *Mirovaya ekonomika i mezhdunarodnye otnosheniya*, No. 1, January 1990, pp. 5-19.
- 3 Aleksei Kiva's *Natsional'noe osvoboditel'noe dvizhenie: teoriya i praktika*, (Moscow: Nauka, 1989), gives the fullest treatment of this subject.

At the outset, criticism was functional, dealing with practical aspects of Soviet foreign aid policies, namely, their administration. Next, from Spring 1989 on, during the elections to the Congress of People's Deputies, and during the examination of the budget, debate widened to include the costs. From there it was a short and logical step to addressing the political aspects of Soviet foreign economic policies: whether the large expenditures were wisely spent to promote the nation's interests, and what role the revitalized representative institutions should play in determining the flows of foreign aid.

In the early stages, the discussions were not really all that novel or ground-breaking. Criticism of aid and trade policies with suggestions for change had become increasingly current during the last years of Brezhnev's rule. But such criticism had only appeared in specialized journals and monographs, and skirted being too specific. The poor performance of Soviet economic programs in the Third World was not a taboo subject by the late 1970s, but it was not aired in public and critics had to observe a certain decorum. For instance, it was customary to start with paeans to the exemplary "selflessness" of Soviet policies, and not to refer to losses. Only with the onset of *glasnost'* in 1987-88 did criticism, and quite detailed at that, reach the public media and become part of the open discourse.

Specific information about the unbalanced nature of Soviet trade with the developing countries — i.e., the large, persistent and mounting deficits — replaced the incomplete figures or misleading percentages that dressed up claims about the growth of these exchanges. Under the new dispensation, the composition of that trade looked just as bad. It was disclosed that raw materials constituted the largest share of Soviet exports, and that during the 1975-1988 period the share of machinery exports declined from 21% to 15%. It became common knowledge that despite 35 years of concerted effort to expand its presence in Third World markets, the USSR had managed to capture only some 4% of the developing countries' trade.⁴

Instead of reading encomiums to the numerous aid projects built with Soviet assistance, the public now learned that many projects were so poorly

planned and administered as to be operating at a loss. To cite but two examples: in some instances, steel mills were constructed without preliminary research to determine the availability of raw materials; in other cases, canneries were set up without taking into account the migration patterns of tuna, which, as it turned out, appeared in offshore waters only once every three years.⁵

Soviet performance was found wanting in other ways as well. The much vaunted concept of planning that had supposedly enabled the USSR to finish projects on time was now exposed as being hollow. Too many projects were "completed" in such a hurry for their public relations effect that "Potemkin village" -like devices had to be used to cover up the glaring gaps. In one place, for example, during opening ceremonies a hidden oil truck pumped oil into a pipeline that had not yet been connected. The poor qualifications of Soviet technicians were revealed, as well as the corrupt practices that tended to prevail in their selection: "nepotism, cronyism and sometimes pure and simple bribery were the main qualification for seconding specialists abroad." And all too often, even if specialists went abroad with the best intentions, they would succumb soon after their arrival to the lure of personal enrichment.⁶

In keeping with the functional aims of the initial stage, attention centered on how to improve trade and aid operations. The remedies suggested included expanding trade with the NICs, increasing machinery exports, dealing with the private sector, undertaking smaller but more viable projects, starting bilateral East-South or trilateral East-West-South joint ventures, and financing aid projects of direct benefit to the USSR, in such areas as food, raw materials, and consumer goods.⁷

These practical proposals were often coupled with frank recommendations to drop traditional "socialist" practices. Instead, these specialist suggested adopting various profit-oriented measures such as acquiring equity, investing abroad to assure efficiency and proper control, or selling licenses and setting up consulting firms to realize better returns on the transfer of technology.

Nevertheless, in the early stages of the discussions it was still deemed unseemly to hanker after

4 A. Kuprianov, "Blizkii i dalekii Tretii Mir," *Literaturnaya gazeta*, 26 September 1988, p. 14.

5 G. Polyakov, "Economic Cooperation from the Viewpoint of Perestroika," *Asia and Africa Today*, No. 5, October 1988, pp. 8-11.

6 *Ibid.*

7 V. Korneev, "Ekonomicheskie svyazi s razvivayushchimisya stranami i puti ikh uglubleniya," *Vneshniaya torgovlia*, No. 12, December 1988, pp. 31-34.

profit, pure and simple. Hence, the proffered arguments tended to be phrased in terms of the need for efficient operations. But as the debate proceeded on to the costs of the Soviet programs, a far more candid and hardnosed rationale surfaced. There were calls for a "new external economic strategy." Every deal should either be for profit or directly serve the needs of Soviet industry and the consumer.⁸

The range and intensity of discussion rose to a different pitch during the elections and sessions of the reconstituted Congress of People's Deputies in the first half of 1989. As the government disclosed more data on the sorry state of the economy, candidates and deputies began to ask pertinent questions about the contribution of reckless spending abroad to the economic plight at home. The most dramatic voice was that of Nikolai Shmelev, who on June 7th, after Ryzhkov's report on the domestic economy, charged that the Prime Minister had underestimated the seriousness of the economic collapse, and proposed an alternate program to reduce the budget deficit. Reduction of "expenditures on international commitments" — specifically the \$6.6 billion annual subsidy to Cuba — figured prominently in Shmelev's rescue plan.⁹

Shmelev's bold proposal shifted the debate from the mal-administration of aid and trade programs to their actual cost, and to suitable methods for their reduction. Demands were made for full disclosure of the sums spent (and here it should be noted that Shmelev pointedly stressed he was citing Western figures on Soviet support to Cuba, for no information was available at home), and for letting the elected parliamentarians vote on the appropriations.

The shift of focus was neatly reflected in an interview a few weeks after Shmelev's speech. *Izvestiya*, the daily organ of the government, asked an economist whether she thought the deputies were right to propose cuts in aid to the developing countries. Elena Arafeva replied that aid to the developing countries was a luxury the USSR could ill afford. But she added a new, significant element of rationality to the emotional calls for across-the-board cuts. She argued that although the USSR as a superpower could not simply suspend its foreign aid,

there were at least three ways of improving the situation. First, let the Supreme Soviet and its committees that examine the state budget vote on economic assistance (and do away with the "administrative-edict methods in the administration of foreign economic activity"). Second, release facts and data on foreign aid ("we lack open statistics on that score"). And third, adopt "international norms," and start making a clear-cut distinction not only between economic assistance and trade transactions, but also between outright grants, soft credits and commercial loans — all of which were commonly bunched together as "cooperation."¹⁰

These elementary and practical suggestions had no immediate results. When the USSR budget for 1990 was passed later in the year, it included the lump sum of 26.4 billion rubles "to finance foreign trade, outlays on state banks, commercial operations and other expenditure on international contacts." The unitemized appropriation, as well as its magnitude, led *Moscow News* to editorialize that "to collect this sum for foreign aid, every inhabitant ... must pay nearly one hundred rubles a year." The accompanying article by Andrei Kortunov broadened the argument from the cost of Soviet foreign aid to the composition and geographic distribution of Soviet assistance — in effect, it questioned the very character of foreign policy that this huge appropriation underwrote.

Kortunov, a researcher at the Institute of USA and Canada, pointed out that Cuba received one-quarter of all Soviet foreign aid. Moreover, two-thirds of Soviet assistance to the Third World was military in nature, and went to regimes "notorious for their authoritarian or dictatorial methods of rule, the cults of their leaders, a ruthless suppression of opposition, and for corruption." The point of Kortunov's argument was not merely that humanitarian concerns played a very minor role in determining Soviet assistance. Far more important was the fact that such aid supported a foreign policy that went counter to the professed goals of Gorbachev's regime: it put into question the new strategic doctrine of reasonable sufficiency and undermined efforts to reduce East-West tensions in the Third World. According to Kortunov, instead of implementing the professed new political thinking,

⁸ N. Volkov, "Cooperation with the Third World," *International Affairs* (Moscow), No. 9, September 1989, pp. 103-110.

⁹ FBIS-SOV-89-110-S, 9 June 1989, p. 28, (Supplement).

¹⁰ "From Dogmas to Realism," *Izvestiya*, 11 July 1989, FBIS-SOV-89-140, 24 July 1989, pp. 13-15. See also B. Sergeev, "Help, but within One's Means," *Argumenty i fakty*, No. 27, 8-14 July 1989, FBIS-SOV-89-137, 19 July 1989, pp. 10-11.

the unchanged military aid package "stimulated adventurism in foreign policy and aggressiveness toward neighboring countries."¹¹

In 1990, exposures and probings on the size and purport of military aid grew apace. In the name of *glasnost*' critics now pressed for disclosures on military aid and sales, not just for figures on economic assistance or the size of Third World debt to the USSR. Noting the evident absence of an about-face in stated official policies, they would ask: "What real political dividends, not to mention economic benefits, did our country receive from the shipment of arms, let us say, to Angola (according to SIPRI data, during the period of 1982-1986 it received Soviet arms worth almost \$5 billion), to Mozambique (the volume of deliveries for the indicated period was \$1.3 billion), and to Ethiopia (\$3.8 billion)?"¹²

All the while the Ministry of Defense refused to divulge any data. A real breakthrough came in July, when no less a journal than the Party's theoretical monthly, *Kommunist*, printed an article by a senior staff member of IMEMO (The Institute of World Economy and International Relations), Sergei Kazennov, with a fairly well documented discussion of the economic aspects of the Soviet arms trade. The aim was to demonstrate that, contrary to the thinking in some quarters, arms sales, which constituted about 15% of Soviet exports, were actually unprofitable. Not only were Soviet weapons expensive to produce, but they were sold at discount prices. And most important, during the 1980s, in contrast to the 1970s, the recipients stopped paying for the deliveries. Thus, unpaid-for arms constituted a large portion of the outstanding Third World debt to the USSR. The 20 leading importers (not enumerated) who took 97% of the value of Soviet arms exports were at the same time accountable for 96% of Third World debt to the USSR.¹³

Even though Kazennov professed to deal merely with economic matters, he raised some pertinent questions about the effectiveness of Soviet foreign policy as well, noting that India, Egypt, Iraq, Libya and Algeria (which together accounted for one-fourth of Third World debt to the USSR) somehow managed at the same time to keep repaying the West.

Institutional and Administrative Reforms

Restructuring the institutional and administrative framework of Soviet economic operations in the Third World had started before *glasnost*' took hold. In 1986, a Committee for Foreign Economic Relations was set up. Headed by Ivan D. Ivanov, an enthusiastic proponent of multilateralizing and commercializing Soviet activities abroad, it was charged with improving operations. The following year, the Ministry of Foreign Trade and the State Committee on Foreign Economic Relations (GKES, or the Soviet Aid Agency) were replaced by a single Ministry of Foreign Economic Relations. (At the same time, several top administrators of GKES were either dismissed in disgrace or brought to trial for embezzlement and other corrupt practices.) The reorganization sought to bring various scattered operations under one roof in order to create an integrated, efficient and profitable system.

Legislation adopted in 1987 and 1988 reduced the rigid state control that hampered contacts abroad. The Law on Foreign Investment in the USSR opened the country to an influx of foreign businesses, and the Law on External Economic Activity permitted individual Soviet economic entities (ministries, plants, and coops) to deal directly with foreign partners.

Several measures meant to improve Soviet economic performance abroad were passed as well. In September 1988, the Council of Ministers issued a decree on measures to improve the administration of aid projects. And in July 1990, President Gorbachev promulgated a decree which, among other things, served notice that it was now state policy to curb the former preferential arrangements. It specified that the USSR "shall build projects abroad on the principles of mutual benefit and mutual interest, being guided in this by international norms and practices . . . and proceed from the fact that economic assistance shall be rendered taking account of our country's real possibilities."¹⁴

The same decree also announced the conversion of CMEA settlements to convertible currencies as of January 1991 — a stringency measure certain to

11 A. Kortunov, "Soviet Foreign Aid. Is it Always Put to Wise Use?" *Moscow News*, No. 49, 10-17 December 1989, p. 6.

12 Yuri Kornilov, "Arms Shipment to the Third World," *Literaturnaya gazeta*, 19 January 1990, p. 9, FBIS-SOV-90-024, 5 February 1990, pp. 2-3.

13 "Proshchai oruzhie?" *Kommunist*, No. 10, July 1990, pp. 43-47. See also the interview with the Minister of the Aviation Industry, A. S. Systrov, for counterclaims on the high quality and profitability of Soviet military production, *Izvestiya*, 27 March 1990, p. 3.

14 The text of the decree is in *Vneshniaya torgovlia*, No. 8, August 1990, (Supplement).

affect the preferential accounting procedures used with such Third World socialist allies as Cuba and Vietnam.

Steps were also taken in response to the demands that economic relations with the developing countries be opened to public scrutiny. First came the recognition of the legislative power of the elected deputies: in July 1989, the Supreme Soviet was empowered to assume control over foreign aid appropriations. A degree of *glasnost* about the economic costs of such aid followed. On March 19, 1990, *Izvestiya* printed a detailed table on Soviet lending, both to the socialist and non-socialist developing countries — the first such revelation ever. It showed a total of 85.8 billion rubles outstanding, as of November 1989. The East European states owed Moscow some 6.6 billion rubles; the Asian CMEA members owed 21.7 billion; and Cuba, 15.5 billion. The remaining LDCs owed about 49% of the total sum (see table).

Practical Results of Reforms

Thus far the results of the professed conceptual changes and the institutional reforms have been more evident in trade than in aid policies.

In the trade area, the drive to “de-politicize” operations and to introduce what the Soviets now recognize as normal commercial relations has been very pronounced. To this end, Moscow is openly adopting novel forms of activity that have nothing in common with the former, qualitatively different, “socialist” economic behavior. The new forms attest to a serious business motivation. These departures, to mention but a few, have included deals with the private sector, establishing partnership in joint stock companies, offers of direct Soviet investment in the exploitation of natural resources, organizing trilateral East-South-West ventures in the Third World, and promoting Third World investment in the USSR.

It is the search for increased profits that motivates the current outreach to the NICs of Asia and Latin America — some of them neglected in the past, others ostracized. Moscow is courting these countries with trade fairs, information seminars for businessmen, and official visits. When Prime Minister Ryzhkov visited the ASEAN states in early

1990, he worked as hard to link the potential promised by Soviet economic reforms with the rapid development of South-East Asia as to warm up diplomatic relations. A retinue of economic advisers, officials, and representatives of the revived Soviet Chamber of Commerce accompanied Eduard Shevardnadze in his diplomatic trips to Latin America (in 1988) and Africa (early 1990).

The communiques at the conclusion of his visits used such novel vocabulary as the “promotion and protection of investment,” or “joint enterprises with the participation of state and private capital.” The 1990 negotiations with South Korea to set up production facilities (a furniture plant and a ship repair service) in the Soviet Far East and the agreement with the South Africa-based De Beers company to market Soviet diamonds illustrate the Soviet’s willingness to shed longstanding political scruples and aversions.

The reduction in outright aid and in concessional terms of trade with socialist allies is being pursued, but in a far less open manner. There is little detailed information on the subject, and most likely the results have not been impressive. Here, political and strategic considerations obviously outweigh economic interests.

The Supreme Soviet deputies and the media have been unable to get any specific answers to their inquiries about cuts in aid or detailed information about the extent of support to individual countries. As mentioned, public pressure did result in the publication of some figures on overall debt. But little has been forthcoming on aid, other than the quite general figures such as Ryzhkov divulged in July 1990: “Soviet aid appropriations have been reduced from the 10 billion rubles in credits and 2.5 billion in gratuitous aid in the 1989 budget to 8.1 billion rubles and 1.6 billion rubles in the 1990 budget.”¹⁵

Moreover, despite the July 1989 law expanding the powers of the Supreme Soviet, Soviet parliamentarians have not really assumed control over aid appropriations. When the USSR extended \$300 million in financial aid to Afghanistan in August 1990, a high official of the Ministry of Foreign Economic Relations let it be known that “the agreements signed last week do not require approval by the respective Soviet parliamentary committees and commissions.”¹⁶

15 *Ekonomika i zhizn'*, No. 20, July 1990, FBIS-SOV-90-143, 25 July 1990, p. 72.

USSR: Foreign Debt Figures
(in millions of rubles, as of November 1, 1989)

Countries	A	B	C	D
Grand Total	85,845.6	83,089.9	545.1	17,398.2
I. Socialist Countries				
Albania	127.8	80.3	19.6	0
Bulgaria	433.6	433.6	0	0
Hungary	622.5	622.5	0	0
Vietnam	9,131.2	8,856.1	406.4	1,568.7
GDR	110.0	110.0	0	0
DPRK	2,234.1	2,234.1	0	417.6
China	6.2	6.2	0	0
Cuba	15,490.6	15,092.0	0	2,360.4
Laos	758.2	758.2	0	49.8
Mongolia	9,542.7	8,981.3	57.2	2,031.5
Poland	4,955.0	4,952.1	0	3,157.1
Yugoslavia	394.0	375.6	0	0
Total:	43,805.9	42,502.0	483.2	9,585.7
II: Developing Countries				
Algeria	2,519.3	2,447.7	0	560.0
Angola	2,028.9	1,930.2	0	768.0
Afghanistan	3,055.0	2,898.6	0	624.0
Bangladesh	6.6	6.6	0	0
Benin	31.6	30.4	0	12.1
Burundi	14.8	14.8	0	0
Burkina Faso	4.3	3.9	0	0
Ghana	9.6	8.7	0	0
Guinea	258.3	256.8	0	0
Guinea-Bissau	66.0	63.2	0	12.7
Grenada	0.2	0.2	0	0
Egypt	1,711.3	1,711.3	0	8.2
Zambia	206.0	151.4	0	23.3
India	8,907.5	8,907.4	0	0
Indonesia	404.5	330.9	0	0
Jordan	369.0	355.8	0	99.5
Iraq	3,795.6	3,514.5	0	1,414.8

Countries	A	B	C	D
Iran	1.0	1.0	0	0
YAR	979.6	955.6	0	0
Cameroon	0.6	0.6	0	0
Cambodia	714.8	714.5	0	83.7
Congo	199.5	174.0	0	83.7
Libya	1,707.3	1,584.6	0	360.1
Madagascar	100.6	92.9	0	36.0
Mali	285.0	271.6	1.2	88.4
Morocco	2.2	2.0	0	0
Mozambique	808.6	722.6	0	363.0
PDRY	1,847.6	1,835.7	0.8	581.2
Nepal	2.0	2.0	0	0
Nigeria	26.7	21.8	0	0
Nicaragua	917.3	837.6	0	473.0
Cape Verde	7.2	7.2	0	0
Pakistan	173.8	169.0	0	0
Peru	541.1	541.1	0	0
Sao Tome and Principe	4.8	4.7	0	1.8
Seychelles	0.2	0.2	0	0
Senegal	1.6	1.6	0	0.1
Syria	6,742.6	6,514.6	1.7	992.7
Somalia	260.8	228.2	3.5	0
Sudan	3.8	3.2	0	0
Tanzania	310.3	269.6	0	88.6
Tunisia	17.7	17.7	0	0
Turkey	91.8	91.7	0	0
Uganda	36.4	35.5	3.0	0.8
Central African Republic	1.0	0.8	0	0
Chad	2.2	1.7	0	0
Sri Lanka	1.1	1.1	0	0
Equatorial Guinea	1.5	1.4	0	0.2
Ethiopia	2,860.5	2,849.7	51.7	854.9
Total	42,039.7	40,587.9	61.9	7,812.5

Source: *Izvestiya*, March 2, 1990, p. 3, (FBIS, March 5, 1990, p. 83).

[In the table the headings denote: A—Total debt as of 1 November 1989; B—of which, principal [*osnovy dolg*]; C—Written off as of 1 November 1989 including interest; D—Deferred 1986-1989 including interest. All figures in millions of rubles.

Similarly, until Castro's support of the the anti-Gorbachev coup in August 1991, Soviet-Cuban relations were off-limits. Before the 1991 trade and cooperation agreements with Havana were concluded, there were official indications that the Soviet side wanted "radical" modifications of the existing method of calculating prices, i.e., a change to using current world prices for settling payments, and to deliveries on a value-balanced basis.¹⁶ But when the new annual agreement was signed on December 21, 1990, no details of the new pricing system were released. However, dissatisfaction with the lack of information was so pronounced that the media succeeded in shedding some light on the question. Although specific details were unavailable (the full text has not been published), persistent interviews revealed that the Soviet side insisted on signing agreements which specified accounting and payments in dollars. Nevertheless, since Cuba was unable to change to the new system overnight, various modifications in Havana's favor were granted for the time being.¹⁷

However, after the August 1991 events, Soviet patience with Cuba's needs ran out, and Gorbachev announced on September 11th that economic relations with Havana would be based on "free trade." The following day, Foreign Minister Boris Pankin put it more crassly, saying that these relations would be "purely commercial."

Interest Groupings in the Debates

What are the interests that motivate and advance the drive to reform Soviet economic relations with the Third World? It used to be customary to classify divergent interest groupings by institutions — the Party, the military, etc. *Glasnost'*, however, has disclosed a far more complex spectrum of opinion. At least four different views on policies toward the developing countries are now discernable, views that cut across institutional lines and reflect differing political philosophies rather than professional affiliations.

The common starting point to all the discussions is reducing the economic burden of Soviet alliances

with the Third World. But beyond that, paths diverge as to how much to cut, whom to cut off, by what means, and to what purpose. Some knowledge of these distinct groups and their rationales affords an outside observer excellent insight into how different groups make use of *glasnost'* to shape the domestic and diplomatic *perestroika* they long for.

The four groupings can be classified as the isolationists, the radical pro-Western, the moderate pro-Russian, and the conservative, strategically minded reformers.

The isolationist mood is most evident among the public at large, among the majority that is no longer silent. Theirs is a simple gut reaction to the everyday experiences and consequences of the deepening economic crisis and shortages. Resentments are exacerbated by the *glasnost'* exposures about the rubles wasted on unreliable and corrupt clients. It is an "us first" attitude, which for the most part does not involve any specific preference for a course of domestic or foreign policy reforms paralleling the USSR's disengagement from the Third World.

The widespread feeling about the relative position of the USSR as donor and some countries it supports with aid is visible in the pins (*znachki*) produced nowadays in the Soviet Union. One shows the bushy head of a tribal chief and bears the ironic caption, "We shall catch up with Africa." A question addressed to Ryzhkov at the Supreme Soviet soberly encapsulates the wishes of the general public: "Is it not time to suspend material and financial aid to foreign states, given our country's difficult economic situation?"¹⁸

The revulsion against waste in foreign aid is so strong and widespread that others make use of it for their own ends. There is little doubt that the government had a hidden motive for permitting parliament to vote on aid appropriations: to have the excuse that its hands are tied when the time comes to explain the cuts to recipients. It is also evident that the pro-Western reformers play on these resentments in order to embarrass the regime and force it to give in to public demands and enlarge the scope of democratic controls.

Among the reformers with a domestic and foreign agenda there are two groupings, the radicals

16 See comments by V. Benediktov, Secretary of the Soviet-Cuban Inter-Governmental Commission for Economic, Scientific and Technical Cooperation, *Pravitel'stvennyi vestnik*, No. 52, December 1990, p. 10, FBIS-SOV-91-001, 2 January 1991, pp. 10-11.

17 Interview with Juan Escalona, President of the Cuban National Assembly, FBIS-SOV-91-058, 26 March 1991, p. 22.

18 FBIS-SOV-90-143, 25 July 1990, p. 25.

and the moderates. Neither proposes to eliminate aid altogether, only to reduce it through various efficiency measures. But their approach to improving the Soviet economic position is markedly different: radicals model their reform proposals and aspirations on Western practices and institutions, while moderates justify their stance by recognizing the constraints of the internal economic logic that dictates Soviet policies.

The radicals could just as well be called Westernizers. Their campaign to improve Soviet economic operations in the Third World ties in with their goals of introducing a market economy and representative democracy at home, and achieving a much closer rapprochement with the West in foreign policy. Its members include some prominent political figures and economists; people like Anatoli Sobchak and Nikolai Shmelev (who spoke up at the Congress of People's Deputies and in the press), Ivan D. Ivanov and Ernst Obminsky (respectively, Deputy Chairman of the Commission for Foreign Economic Relations and Deputy Foreign Minister in charge of international economic relations), who already in the 1970s began advocating the multilateralization and opening up of the Soviet economy. They are seconded by younger economists and political scientists from research institutes of the Academy of Sciences, especially IMEMO and the Institute of USA and Canada, who, in the process of establishing their reputation, give frequent interviews to the media.

As indicated, their method for advancing reforms is to utilize the newly-democratized channels — the parliament and the media. In the name of *glasnost'*, they have been pressing for fuller disclosure of the amounts involved in economic and military assistance, and for proper differentiation between grants, soft loans, and commercial credits. The purpose behind these moves is to introduce public control over these decisions, and to improve the process of decision-making through appropriate information and analytical tools.

The pro-Western reformers propose practical measures to place as many Soviet economic deals with the Third World as possible on a "commercial basis."¹⁹ They advocate debt swapping to redeem the sizable sums due Moscow, and tripartite

East-West-South ventures to revitalize trade.²⁰ They favor steps that would multilateralize Soviet operations and help integrate the USSR into international financial and other institutions.

This economic agenda goes hand-in-hand with a certain set of political beliefs and goals. The radicals are the most pro-detente, pro-peaceful coexistence advocates on the spectrum of Soviet political opinion. Hence, they are the most consistent critics of Soviet strategic entanglement in the Third World, since it has fueled East-West tensions and competition. Consequently, this group has been most persistent in exposing the economic costs of military sales and in pressing to bring military assistance under public control.

Because the radicals are so vitally interested in promoting detente with the West, they are the harshest critics of Soviet assistance to Cuba. They press for *glasnost'* not only on the costs of aid but also on the strategic stakes. Neither charity nor international solidarity is the motivation, they argue, since Cuba provides the USSR with military facilities and colossal listening stations. In short, Cuba is a strategic asset, not a needy country.²¹

The moderates, the third group, are much less enamored of Western reform models, and have a more circumscribed vision as well as aims. Their main concern is with workable reforms in aid and trade, tending on the whole not to address, directly or indirectly, either foreign or domestic politics. Their mode of operations is also different. Their views are seen more often in the specialized journals than on the pages of the daily press. And they try to influence the parliament and the administration more through interoffice memoranda than through public pressure.

Economists associated with various academic institutions predominate in this group, and their views seem to be shared by quite a few economists working in the ministries. As a group, they tend to belong to the older generation, to have had considerable experience as scholars and administrators before 1985, and to have served in World War II.

The group's caution is due to several reasons. They are not as optimistic as the radicals about the returns from a quick and unguarded entry into the

19 E. Obminsky, *Global'nye interesy i natsional'nyi egoizm* (Moscow: Mezhdunarodnye otnosheniya, 1990), p. 286.

20 Sergei Shatalov, "Soviet Assistance to Africa: The New Realities," *CSIS Africa Notes*, No. 12, 22 May 1990, p. 4; W. Donald Bowles, Elena B. Arafieva, *Proposals for Joint US-USSR Cooperation with Developing Countries: Tripartite Projects* (Washington: Overseas Development Council, 1990).

21 E. Arafieva, "Miloserdie ili vse zhe ideologiya," *Izvestiya*, 24 July 1990, p. 1. See also E. Gorovaya, "Cuba, Si; Aid, No!" *Argumenty i fakty*, No. 12, 20 March 1991, FBIS-SOV-91-060, 28 March 1991, pp. 6-7.

world market dominated by the industrial capitalist powers, from joining international institutions and shouldering various encumbent obligations, or from radically changing the nature of economic relations with the Third World. Their lack of enthusiasm for the West is in part due to economic calculations, in part to a certain mistrust of "alien" Western ways.

During my talks with several economists of this persuasion last December in Moscow, I repeatedly heard in passing that the radicals were copying Western methods wholesale, too uncritically, and with little knowledge of Soviet realities. To the moderates, Soviet economic relations with the Third World have a logic created by the centralized state controls, the non-convertible ruble, and the non-competitive nature of Soviet exports. The moderates also believe that the radical reformers are at root more motivated by politics than economics.

The moderates want to do away with the wasteful, mismanaged, and misdirected policies of the past, but they do not want to weaken the USSR by too precipitous a change in partners and methods. They are fully cognizant of the persisting weaknesses in the Soviet economy and the long and tortuous course that the reforms will take, and that in the meantime the USSR simply cannot through sheer will alone jettison its traditional partners in the Third World and replace them with the NICs and the West.

With these built-in weaknesses in mind, they begin their arguments by noting that not all economic deals with the Third World are unfavorable. They readily admit that one-half of Soviet trade with the developing countries is with the socialist states of Mongolia, Vietnam, North Korea and Cuba, who are the biggest debtors (about 46% of the total). But the other half of Third World trade is useful and profitable: one ruble of expenditure in that trade brings more return than it does in overall Soviet trade. Moreover, these Third World partners import Soviet goods that cannot readily be sold elsewhere (e.g., they purchase 20% of Soviet machinery exports), and satisfy many Soviet needs for foods and consumer goods.²²

In this light, even Soviet-Cuban trade is not seen as a drain but as a rather reasonable arrangement. After all, the USSR gets one-third of its sugar needs from the island, 40% of its citrus fruit consumption, one-sixth of its requirements in nickel and cobalt — and all of it for rubles. To buy these products elsewhere would cost the USSR some \$2 billion annually.²³

In keeping with their low political profiles, the moderates do not address the issue of military aid in their printed discussions. But they do touch on this matter in their internal memoranda where they argue that military aid is to a large extent responsible for the Third World debt and other imbalances. They propose reducing military deals for economic reasons — to direct trade into normal and profitable channels — not to improve the atmospherics of East-West relations, which is the radicals' aim.

The cautious pragmatists argue that widening trade with the developing countries can and should be a priority. Their recommendations center more on sprucing up bilateral relations than on venturing into the unfamiliar territory of multilateralization. They do not reject multilateralization, but favor improving the existing network in order to enter the wider field of activity from a stronger position. Good chances for improvement are seen in Africa, for example, through a concentration on joint agricultural production or mining managed according to the efficiency and profit-minded instructions of the presidential decree of July 1990. They believe that given the new, practical principles which are to guide Soviet economic activities in the Third World, the fact that 30% of the projects conducted in Africa have turned out to be unprofitable is no deterrent.²⁴

Finally we come to the conservatives, who believe the Third World is well worth paying the price; they see it as a safeguard or a bargaining chip against the U.S. Unlike the reformers, they are concerned not with the cost of economic relations with the developing states but with the Soviet Union's power position. Within the grouping there are tough hardliners and moderate conservatives.

Until his deposition, Egor Ligachev was a forceful spokesman for the tough line, for those who did

22 L. Zevin, E. Simonov, "Pomoshch i ekonomicheskoe sotrudnichestvo SSSR s razvivayushchimisya stranami," *Narody Azii i Afriki*, No. 2, March-April 1990, pp. 5-17. See also N. Palkin, "How Are We to Trade with India? Pros and Cons of Giving up Clearing," *Izvestiya*, 8 January 1991, p. 5, FBIS-SOV-91-032-S, 15 February 1991, (Supplement), pp. 59-60.

23 Sergei Tarasenko, head of the Assessment and Planning Department of the Foreign Affairs Ministry, in *Moscow News*, No. 52, 7-14 January 1990, p. 6.

24 See interview with V. Burmistrov, Deputy Minister for Foreign Economic Relations, *Vneshniaya torgovlia*, No. 9, September 1990, pp. 11-13. See also Yuri Popov, "Africa and Soviet Perestroika," *International Affairs* (Moscow), No. 3, March 1991, pp. 47-50.

not intend to abandon the radical allies under any circumstances. Ligachev justified that position by arguments drawn from the traditional political lexicon that identified Soviet national interests with class interests and international solidarity. After Ligachev's demotion that vocabulary became discredited. But during the Persian Gulf crisis the old line resurfaced in a somewhat different guise. This time, the tough conservatives spoke up more candidly: in the name of national interests instead of class interests or international obligations. In the words of Defense Minister Yazov: "We do not have the right to be weakened, despite the positive process of... strengthening confidence between different states. In the world there not only remain but also appear now 'hot spots,' which under certain conditions can grow into global conflict. Such a 'spot' appears now in the Near East. And Grenada and Panama are not yet forgotten."²⁵

The strength of the tough-minded conservatives in the government has been obvious. Despite the persistent questioning by the pro-Western reformers in the media and the Supreme Soviet about the actual expenditures on arms sales and military assistance, no full or partial figures have been released beyond vague explanations to the effect that, "[with] the publication of data on weapons exports, the Soviet Union is now taking an active part within the UN framework in the development of a register of international arms sales and deliveries."²⁶ The continuing secrecy on these matters stands in sharp contrast to the release of debt figures pointing up the line the government pursues regarding *glasnost* and foreign policy. *Glasnost* can be used to justify cutting-back on aid expenditures, but must stop short of any relaxation of the strategic posture.

The moderate conservatives are prominent among the older diplomatic corps and academic specialists. Unlike the tough-minded hardliners, they concede that both the economic and the military components of Soviet cooperation with the Third World are in need of restructuring — the former because it had not been subjected to rigorous cost scrutiny, the latter because it had grown to "unjustifiable" proportions. However, these pragmatists do not condone the harsh criticism voiced by the radical reformers or countenance the policy

changes they advocate. They consider the radicals' criticism as much too one-sided, and their policies as risky unilateral concessions that would leave the USSR unnecessarily exposed to American pressures.

The moderate conservatives want to ensure that overhauling Soviet policies will be part of a "reciprocal" process — a process from which the developing states are not excluded and in which the US also participates, so that a new code of conduct obligatory on all would emerge. They oppose unilateral actions on the part of the USSR for two reasons: (a) by "betraying" its partners the Soviet Union would lose its credibility; and (b) unilateral concessions would weaken the USSR vis-a-vis the United States.²⁷

In Conclusion

Until August 1991, the debates on economic ties to the Third World had not changed the course of Soviet policies, as much as they had helped to clarify what was actually "new." Of course, the thoroughgoing de-ideologization favored by the "silent" majority and the radical reformers (involving, as it would, unilateral cuts and/or complete commercialization) never stood a chance of being implemented. However, the arguments and motivations behind these proposals put into sharper relief the reasoning of the moderate reformers and the conservatives. This is of value since the policies which the USSR had actually chosen to pursue reflected the reasoning of the latter two groups. The government's strategy was aimed at gaining incremental economic advantages without incurring excessive political losses.

Given this goal, Soviet unwillingness to cut off Cuba was not altogether out of line with the principles of de-politicization and commercialization (or "mutual benefit" in the "newspeak" of the Gorbachev era). Moscow undoubtedly believed that, either through a change in leadership or by force of circumstances, Havana would eventually alter its ways, abate its command economics, and become part of the Latin American and U.S. markets. As a result, the USSR would benefit both directly and

25 "Vysokaya otvetstvennost' ofitsera," *Krasnaya zvezda*, 19 August 1990, p. 2.

26 General Yu. Smirnov, Deputy Chief of Staff, in *Krasnaya zvezda*, FBIS-SOV-90-116, 15 June 1990, p. 12.

27 Andrei Urmov, "The Third World and the USSR," *International Affairs* (Moscow), No. 8, August 1990, pp. 69-73; Sergo Mikoyan, "Whom Do We Help and How?" *Moscow News*, No. 7, February 1990, p. 6. See also Mikoyan's OpEd piece, "We Are Not Your Man in Havana," *The New York Times*, 2 July 1991.

indirectly, i.e., it would recoup some of the debt in dollars and extend its commercial presence in the hemisphere.

This is the way Moscow has managed its commitments to Vietnam, and the plan has worked. Vietnam is implementing market-oriented reforms in its domestic and foreign economic policies, which receive general approbation from both the Soviet government and specialists. Hence, despite its 9.1 billion ruble debt, there has been no public outcry about the expense of this political commitment. The same is true of Angola, which owes 2.1 billion rubles. Here the encouraging developments consist of a winding-down of the civil war and membership in the IMF and the World Bank. Each country offers prospects of efficient economic policies that will assure Moscow more remunerative bilateral relations, as well as an opportunity to interact with larger and more prosperous economic entities (e.g., the ASEAN states and various international financial institutions) through different tri-lateral or multilateral arrangements.

Probably the most revealing statement on how the USSR expected — ideally — to square the conflicting demands of making economic gains without suffering political losses was made last year during Shevardnadze's visit to Africa to attend Namibia's independence ceremonies. Yuri Yakulov, head of the African Department in the Foreign Affairs Ministry, commented on the economic returns the USSR expected to gain from the political settle-

ments of the various conflicts in southern Africa, "...We spent millions during the period of confrontation. However, all of these sums are insignificant compared to the prospects opening up for establishing truly mutually beneficial cooperation with countries of southern Africa, Angola and Mozambique.... There are prospects of trade and economic ties profitable to this country. I believe that Soviet policy directed at the political settlement of conflict in southern Africa is quite profitable . . . Soviet diplomacy is working for peace elsewhere in Africa. The USSR is ready to establish relations with the Republic of South Africa . . ."²⁸

Such remarks showed that there was more to the redefinition of Soviet national interests in the Third World than merely conducting a foreign policy the country could afford. As well as disengagement to save rubles, the USSR pursued policies toward the Third World that protected its interests *and* promised greater economic gains.

It remains to be seen whether the ascendancy of the democratic-minded reformers after the August 1991 events will significantly alter the pattern of behavior which the more conservative forces had until then favored and promoted.

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28 FBIS-SOV-90-086, 3 May 1990, p. 18. A similar motivation was evident in the draft of the new CPSU program, adopted in July 1991, though it is stated in a less explicit manner. Unlike its predecessor, the 1986 program, the new document did not single out economic relations with the Third World for special comments. Nevertheless, among the Party's goals in international policies, it stressed "creative participation . . . in the development of multilateral cooperation in the Asian-Pacific region," indicating that the pursuit of economic gain was not only frankly articulated but also well-targeted.

The Harriman Institute Forum is published monthly
by

The W. Averell Harriman Institute for Advanced Study
of the Soviet Union, Columbia University.

Editor: Gordon N. Bardos

Assistant Editors: Kevin E. Laney, Charles F. Furtado, Jr.

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The *Forum* is supported in part by a grant from the Carnegie
Corporation of New York

ISSN Number: 0896-114X

Subscription information: US/Canada: 1yr/\$30;2yr/\$50.

Elsewhere:1yr/\$40;2yr/\$75

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